Canada Iron

1966 ANNUAL REPORT

Canada Iron

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1966

The fifty-first annual general meeting of Shareholders will be held at the Queen Elizabeth Hotel, Montreal, P.Q., on the 29th March, 1967, at 11 o'clock in the forenoon.

CANADA IRON FOUNDRIES, LIMITED
1121 Place Ville Marie, Montreal 2, Quebec.

DIRECTORS

D. W. AMBRIDGE,
Chairman of the Board, Abitibi Power & Paper Co. Ltd., Toronto, Ont.

HON. F. PHILIPPE BRAIS, Q.C.,
Partner, Brais, Campbell, Pepper & Durand, Montreal, P.Q.

C. W. CARRY,
Vice-President, Canada Iron Foundries, Limited, Edmonton, Alta.

ROSS CLARKSON,*
Honorary Chairman of the Board, The Royal Trust Company, Montreal, P.Q.

J. S. DINNICK,
President, McLeod, Young, Weir & Co. Ltd., Toronto, Ont.

C. L. GUNDY,
Chairman of the Board, Wood, Gundy Securities, Limited, Toronto, Ont.

†SIDNEY HOGG,*
Senior Vice-President, Canada Iron Foundries, Limited, Vancouver, B.C.

J. G. KIRKPATRICK, Q.C.,*
Partner, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal, P.Q.

H. J. LANG,*
President, Canada Iron Foundries, Limited, Montreal, P.Q.

M. W. MACKENZIE,*
Chairman of the Finance Committee, Chemcell, Limited, Montreal, P.Q.

A. D. McCALL,
Chairman of the Board, Drummond, McCall & Co. Ltd., Lachine, P.Q.

H. E. McKEEN,*
Senior Vice-President, Canada Iron Foundries, Limited, Montreal, P.Q.

T. F. RAHILLY,*
Honorary Chairman, Canada Iron Foundries, Limited, Toronto, Ont.

†F. A. SHERMAN,
Chairman of the Board, Dominion Foundries & Steel Ltd., Hamilton, Ont.

*Member of Executive Committee
†Deceased

OFFICERS

H. J. LANG,
President

H. E. McKEEN,
Senior Vice-President

R. J. BAILIE,
Executive Vice-President

R. K. CARTY,
Executive Vice-President

P. M. DRAPER,
Vice-President and Secretary

C. W. CARRY,
Vice-President

D. J. LaFONTAINE,
Vice-President

M. A. LEISHMAN,
Vice-President

R. LYLE,
Vice-President

W. D. MONCUR,
Treasurer

I. C. FERRIER,
Controller

REGISTRAR, THE ROYAL TRUST COMPANY,
Montreal, Toronto, Halifax, Winnipeg, Vancouver.

TRANSFER AGENT, MONTREAL TRUST COMPANY,
Montreal, Toronto, Halifax, Winnipeg, Vancouver.

Highlights

	1966	1965
Sales	$142,014,849	$133,867,306
Net Earnings	5,428,213	5,183,196
Shareholders' Equity	36,964,011	33,953,486
Bank Advances and Funded Debt	24,624,218	22,411,173
Working Capital	15,723,359	18,237,575
Capital Expenditures	9,668,000	6,096,000
Depreciation	3,637,071	3,292,073
Earnings Per Common Share*	2.13	2.06
Cash Flow Per Common Share*	3.59	3.41
Dividends Per Common Share*	1.00	0.58
Book Value Per Common Share*	13.79	12.58
Net Earnings as % of Sales	3.8	3.9
Net Earnings as % of Common Shareholders' Equity	15.4	16.4

*Adjusted for a three-for-one sub-division in January, 1966.

Directors' report to the shareholders

With a 6% rise in sales over the record established in 1965, volume increased again for the third consecutive year to a new level of $142 million. Profits after taxes increased 4% to $2.13 a common share compared with $2.06 in the previous year. Higher manufacturing costs and disruptions in production schedules, during the period of heavy expenditures for renovations to plant, tended to depress earnings in relation to sales volume. The provision for income taxes in 1966 was 49% of income before taxes compared with 53% in 1965. Tax rates remained constant but adjustments for prior years resulted in a lower effective rate for the current year.

Following a three-for-one sub-division of the shares of common stock on January 31, 1966, the quarterly dividend was adjusted upward. Dividends of 25¢ a share paid in April, July, and October, together with the payments made in January prior to the sub-division, brought the total pay-out to $1.00 for the year. This compares with annual payments of 58¢ in 1965; 42¢ in 1964; and 33¢ in 1963. Preferred share dividends during the year amounted to $120,700. After distribution of dividends, retained earnings increased the book value a further $1.21 a common share.

During the year approximately $9.6 million was used for the purchase of fixed assets. This was an all-time high and compares with annual capital expenditures averaging $6 million for the last five years and $3.6 million in the five years prior to that period. In addition, approximately $1 million was used to purchase the capital stock of two companies. It is not anticipated that this high level of capital expenditures will be required in the near future. The 1967 budget for modernization and improvement of existing plant and equipment including a carry-over of $1 million is approximately $3.5 million.

Late in the year, The Wabi Iron Works, Limited and The Cobalt Foundry, Limited, two companies suitably located to supply the mining industry, were acquired and are being operated as manufacturing subsidiaries. Negotiations are proceeding for the purchase of a machine manufacturing company located in the United States. As agreement in principle has been reached on the major terms, it is anticipated that the final outcome of these negotiations can be announced shortly.

Justification for the purchase of these companies is based on two guiding principles; related and

supplementary products to be manufactured, and a satisfactory return on investment. Additional sales resulting from the acquisition of companies with well established markets will contribute to immediate growth and compensate for any fall-off in other operations. The potential for industrial expansion remains high but the recent growth in manufacturing capacity and restraints imposed on capital investment will temporarily affect the rate of increase of our company's sales. Development work on new products however is progressing very favourably. The recent expenditures for the renovation of company facilities will improve productivity and offset some of the increasing costs which are adversely affecting operating results. The backlog of unfilled orders declined in the last quarter of 1966 due to the completion of some unusually large projects. It is expected that there will be more opportunities to benefit from favourable industry trends in 1967.

It is with profound sorrow that we record the loss of two of our Directors. Mr. Sidney Hogg, a Director and Vice-President, died January 10, 1967, after having served as a member of the Board of Directors for nine years. Mr. F. A. Sherman, a Director since 1952, died January 27, 1967. Their wise counsel was an invaluable contribution to the deliberations of the Board. Mr. W. J. Bennett, O.B.E., LL.D., President, Iron Ore Company of Canada, and Mr. F. H. Sherman, B.Sc., P.Eng., President, Dominion Foundries and Steel, Limited were elected Directors of the company on February 23, 1967, to fill the vacancies.

During the year a number of changes were made in managerial responsibilities. Mr. J. H. Roberts was appointed General Manager, Foundry Division, replacing Mr. G. D. Turnbull who retired after fifteen years of service with the company. Mr. F. E. Miller was transferred from head office to become President of the newly acquired Wabi Iron and Cobalt operations.

It is a pleasure to express the appreciation of the Directors to all employees for their contribution to the results attained in 1966. We also wish to thank our shareholders and customers for their confidence in the activities and products of Canada Iron.

On behalf of the Board,

H. J. Lang

President

Montreal, Quebec
February 23, 1967

CONSOLIDATED

As at December 31, 1966 (wit

ASSETS

	1966	1965
CURRENT ASSETS		
Cash	$ 845,880	$ 795,791
Government guaranteed bonds—at cost (quoted value 1966—$206,000; 1965—$205,000)	224,683	224,683
Accounts receivable	26,616,938	29,469,060
Inventories—at the lower of cost or net realizable value	26,126,935	24,909,780
Prepaid expenses	420,642	364,073
Total current assets	54,235,078	55,763,387
SPECIAL REFUNDABLE TAX	219,360	—
INVESTMENT IN OTHER COMPANIES		
Shares—at cost	812,703	843,920
FIXED ASSETS		
Property, plant and equipment—at cost	64,043,965	53,987,208
Accumulated depreciation	34,048,664	30,481,379
	29,995,301	23,505,829
UNAMORTIZED DEBENTURE DISCOUNT	190,952	211,162
	$85,453,394	$80,324,298

Signed on behalf of the Board

H. J. Lang
Ross Clarkson } directors

February 8, 1967

AUDITORS' REPORT TO THE SHAREHOLDERS. *We have examined the consolidated balance sheet of Canada Iron Foundries, Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and application of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at December 31, 1966 and the consolidated results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

ALANCE SHEET

omparative figures for 1965)

LIABILITIES

	1966	1965
CURRENT LIABILITIES		
Bank advances and other notes	$19,679,218	$16,819,173
Accounts payable and accrued liabilities	16,548,298	17,612,751
Dividends	650,457	644,788
Income taxes	986,746	1,802,100
Funded debt maturing within one year	647,000	647,000
Total current liabilities	38,511,719	37,525,812
DEFERRED INCOME TAXES	5,500,000	3,900,000
FUNDED DEBT—not maturing within one year (see schedule)	4,298,000	4,945,000
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES	179,664	—
SHAREHOLDERS' EQUITY		
PREFERRED SHARES		
Authorized—		
100,000 preferred shares of $100 par value		
Issued and fully paid (note 2)—		
26,290 4¼% cumulative convertible redeemable preferred shares 1956 series	2,629,000	3,236,000
COMMON SHARES (note 2)		
Authorized—		
6,000,000 common shares of no par value		
Issued and fully paid—		
2,489,622 common shares	8,538,740	8,138,740
RETAINED EARNINGS (note 2)	25,796,271	22,578,746
	36,964,011	33,953,486
	$85,453,394	$80,324,298

1. *PRINCIPLES OF CONSOLIDATION*
The consolidated financial statements include the accounts of all subsidiary companies. The earnings of the subsidiary companies acquired late in 1966 have been treated as pre-acquisition earnings and have not been included.

2. *CAPITAL STOCK*
By Supplementary Letters Patent dated January 31, 1966 the authorized capital was adjusted by subdividing each of the 2,000,000 common shares of $10 par value into three common shares of no par value.
During the year, preferred shares of a par value of $607,000 were redeemed. The retained earnings include an amount of $1,646,500 which has been set aside as required by the Canada Corporations Act, equal to the par value of the preferred shares redeemed to date.
During the year 48,000 new common shares were issued for cash of $400,000 under an option granted to an officer. At December 31, 1966 there were no shares reserved under this option.

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1966 (with comparative figures for 1965)

	1966	1965
SALES	$142,014,849	$133,867,306
COSTS AND EXPENSES		
Cost of sales, selling and administrative expenses	127,414,890	118,924,834
Directors' fees, and remuneration of officers who are directors	301,975	338,000
Interest on funded debt	325,510	449,991
Amortization of debenture discount	20,210	25,458
Depreciation of property, plant and equipment	3,637,071	3,292,073
	131,699,656	123,030,356
	10,315,193	10,836,950
OTHER INCOME		
Income from investments	77,048	72,749
Profit on disposal of fixed assets	147,390	39,357
Profit on redemption of preferred shares	63,582	34,140
Premium on issue of common shares	—	30,000
	288,020	176,246
	10,603,213	11,013,196
PROVISION FOR INCOME TAXES	5,175,000	5,830,000
NET EARNINGS FOR THE YEAR	$5,428,213	$ 5,183,196

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1966 (with comparative figures for 1965)

	1966	1965
BALANCE—BEGINNING OF YEAR	$22,578,746	$18,555,929
Net earnings for the year	5,428,213	5,183,196
Excess or (deficiency) of net assets over cost of shares of subsidiaries acquired during the year	363,634	(198,192)
Profit on disposal of Montreal property		910,918
	28,370,593	24,451,851
Dividends—		
On 4¼% preferred shares	120,700	144,373
On common shares	2,453,622	1,728,732
	2,574,322	1,873,105
BALANCE—END OF YEAR	$25,796,271	$22,578,746

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1966 (with comparative figures for 1965)

	1966	1965
FUNDS WERE PROVIDED FROM:		
Net earnings for the year	$5,428,213	$5,183,196
Charges not requiring the outlay of funds:		
Depreciation	3,637,071	3,292,073
Amortization of debenture discount	20,210	25,458
Reduction of investment in other companies	31,217	—
Minority interest in net assets of subsidiary companies	179,664	—
Common shares issued during the year	400,000	20,000
Excess or (deficiency) of net assets over cost of shares of subsidiaries	363,634	(198,192)
Increase in deferred income taxes	1,600,000	1,475,000
	11,660,009	9,797,535
FUNDS WERE APPLIED TO:		
Fixed assets—additions less proceeds from disposals	9,524,122	3,371,787
—additions arising out of acquisition of subsidiaries	602,421	108,907
Funded debt maturing within one year	647,000	647,000
Par value of preferred shares redeemed	607,000	576,000
Payments of special refundable tax	219,360	—
Dividends on preferred and common shares	2,574,322	1,873,105
	14,174,225	6,576,799
INCREASE (DECREASE) IN WORKING CAPITAL	(2,514,216)	3,220,736
WORKING CAPITAL—BEGINNING OF YEAR	18,237,575	15,016,839
Increase (decrease) in working capital	(2,514,216)	3,220,736
WORKING CAPITAL—END OF YEAR	$15,723,359	$18,237,575

SCHEDULE OF FUNDED DEBT

As at December 31, 1966 (with comparative figures for 1965)

	1966	1965
5¾% Sinking fund debentures, series "B", due April 15, 1969	$1,652,000	$1,652,000
Sinking fund requirements— $ 70,000 on April 15, 1958 to 1965, $272,000 on April 15, 1966 to 1968		
Redeemed to date	832,000	560,000
	820,000	1,092,000
6¼% Sinking fund debentures, series "C", due October 15, 1977	7,500,000	7,500,000
Sinking fund requirements— $375,000 on October 15, 1958 to 1976		
Redeemed to date	3,375,000	3,000,000
	4,125,000	4,500,000
	4,945,000	5,592,000
FUNDED DEBT		
Maturing within one year	647,000	647,000
Not maturing within one year	4,298,000	4,945,000
	$4,945,000	$5,592,000

Statistical review

	1966	1965	1964	1963
Sales	$142,014,849	$133,867,306	$112,402,000	$100,279,000
Income Taxes	$ 5,175,000	$ 5,830,000	$ 3,720,000	$ 1,700,000
Net Earnings	$ 5,428,213	$ 5,183,196	$ 3,536,276	$ 1,896,605
Preferred Share Dividends	$ 120,700	$ 144,373	$ 162,010	$ 181,709
Common Share Dividends	$ 2,453,622	$ 1,728,732	$ 1,114,327	$ 809,874
Earnings per Common Share*	$2.13	$2.06	$1.38	$0.70
Dividends per Common Share*	$1.00	$0.58	$0.42	$0.33
Cash Flow per Common Share*	$3.59	$3.41	$2.56	$1.65
Book Value per Common Share*	$13.79	$12.58	$10.95	$10.04
Working Capital	$ 15,723,359	$ 18,237,575	$ 15,016,839	$ 18,814,150
Bank Advances	$ 19,679,218	$ 16,819,173	$ 11,037,604	$ 8,677,882
Funded Debt	$ 4,945,000	$ 5,592,000	$ 7,937,000	$ 8,782,000
Capital Expenditures	$ 9,668,000	$ 6,096,000	$ 6,876,000	$ 4,002,553
Depreciation	$ 3,637,071	$ 3,292,073	$ 2,874,391	$ 2,289,612
Common Shares Issued*	2,489,622	2,441,622	2,435,622	2,429,622
Common Shareholders	5,329	4,430	4,404	5,062
Employees	5,607	5,261	4,240	4,210

*Adjusted for a three-for-one sub-division in January, 1966.

1962	1961	1960	1959	1958	1957
$110,009,000	$100,801,000	$101,346,000	$105,712,000	$ 88,255,000	$ 85,277,000
$ 1,690,000	$ 1,235,000	$ 1,724,587	$ 1,790,140	$ 2,226,637	$ 2,302,475
$ 1,641,526	$ 2,152,187	$ 1,736,264	$ 463,635	$ 2,454,983	$ 2,484,188
$ 181,709	$ 181,709	$ 181,709	$ 187,108	$ 205,300	$ 207,236
$ 809,874	$ 809,874	$ 911,108	$ 1,209,089	$ 1,136,603	$ 1,079,500
$0.60	$0.81	$0.64	$0.11	$0.95	$1.05
$0.33	$0.33	$0.37	$0.50	$0.50	$0.50
$1.67	$1.89	$1.57	$1.07	$1.91	$2.16
$9.67	$9.40	$8.92	$8.66	$8.97	$9.29
$ 19,164,278	$ 17,561,688	$ 17,583,989	$ 16,996,670	$ 21,156,927	$ 21,447,432
$ 14,171,756	$ 12,448,649	$ 14,017,666	$ 17,926,195	$ 17,542,857	$ 14,050,478
$ 9,627,000	$ 10,472,000	$ 12,266,500	$ 13,177,000	$ 14,092,000	$ 14,057,000
$ 2,338,648	$ 1,991,072	$ 1,417,626	$ 4,690,931	$ 2,284,317	$ 7,805,263
$ 2,585,837	$ 2,613,399	$ 2,266,468	$ 2,319,885	$ 2,288,494	$ 2,394,627
2,429,622	2,429,622	2,429,622	2,429,622	2,379,654	2,166,762
5,231	5,327	4,850	4,712	4,725	4,860
4,725	4,670	5,172	5,421	5,045	4,859

Financial review

Fixed assets showed the largest annual increase in the company's history due to heavy capital expenditures of $9,668,000 at our existing plants plus the addition of fixed assets valued at $602,421 from the acquisition of Wabi Iron Works Limited and Cobalt Foundry Limited.

Total assets increased $5,129,096, mainly from additions to net fixed assets of $6,489,472, an increase of $1,217,155 in inventories, and a $2,852,122 decrease in accounts receivable.

During 1966, $3,637,071 was charged to depreciation, a 10% increase over 1965. While we follow the practice of taking depreciation at a high rate, capital expenditures only partially completed at year-end were not depreciated at all.

Accounts receivable were reduced 9% in spite of the increasing difficulty with collections, the 6% increase in sales volume, and the inclusion of receivables of companies acquired during the year.

Inventories were limited to a 5% increase because of continuous and searching attention and remained at a favorable turnover ratio of 5½ times.

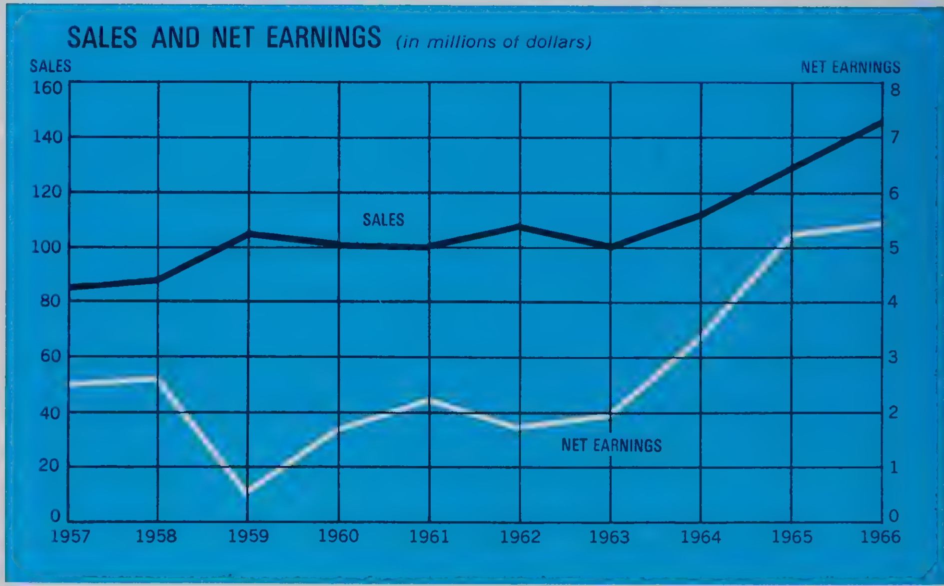
Although substantial funds totalling approximately $12,000,000 were required for expenditures on plant and equipment, acquisition of Wabi Iron Works Limited and Cobalt Foundry Limited, the redemption of preferred shares, and an increase in dividend payments, the total debt of the company increased only $2.2 million.

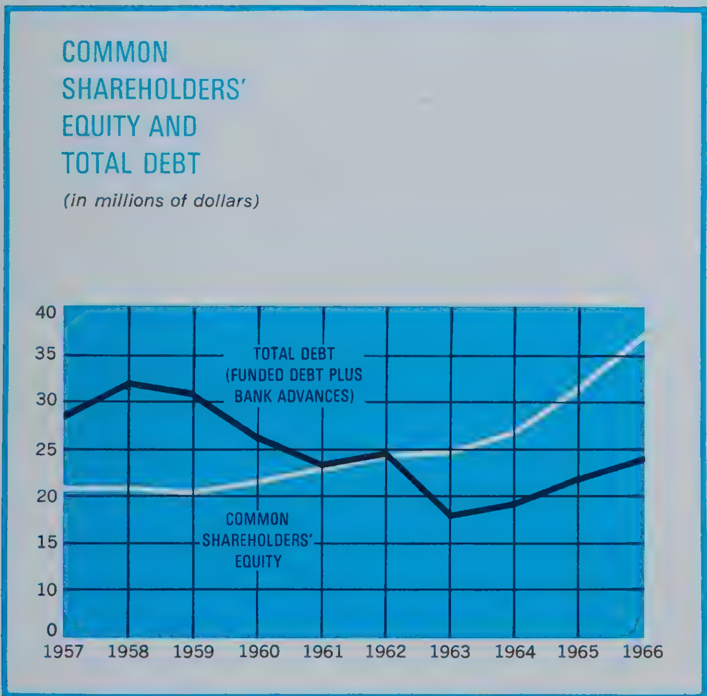
The deferred income tax account increased a further $1.6 million to $5.5 million; this included $1.3 million for depreciation claimed at a higher rate for tax purposes than was recorded in the company's books and the remainder because of the progress payment method of calculating income tax for contract sales.

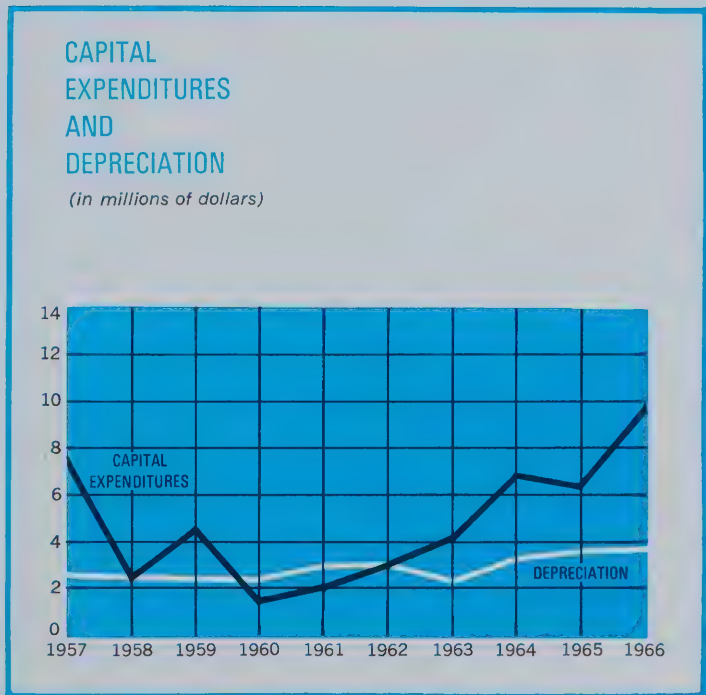
All of the assets and liabilities of Wabi Iron Works Limited and Cobalt Foundry Limited have been reported in the accompanying financial statements. The minority interest in these assets representing approximately 13% of outside ownership has been shown on the balance sheet. Sales and profits have not been included in the consolidated statement of earnings, however, as these companies were acquired late in the fiscal year.

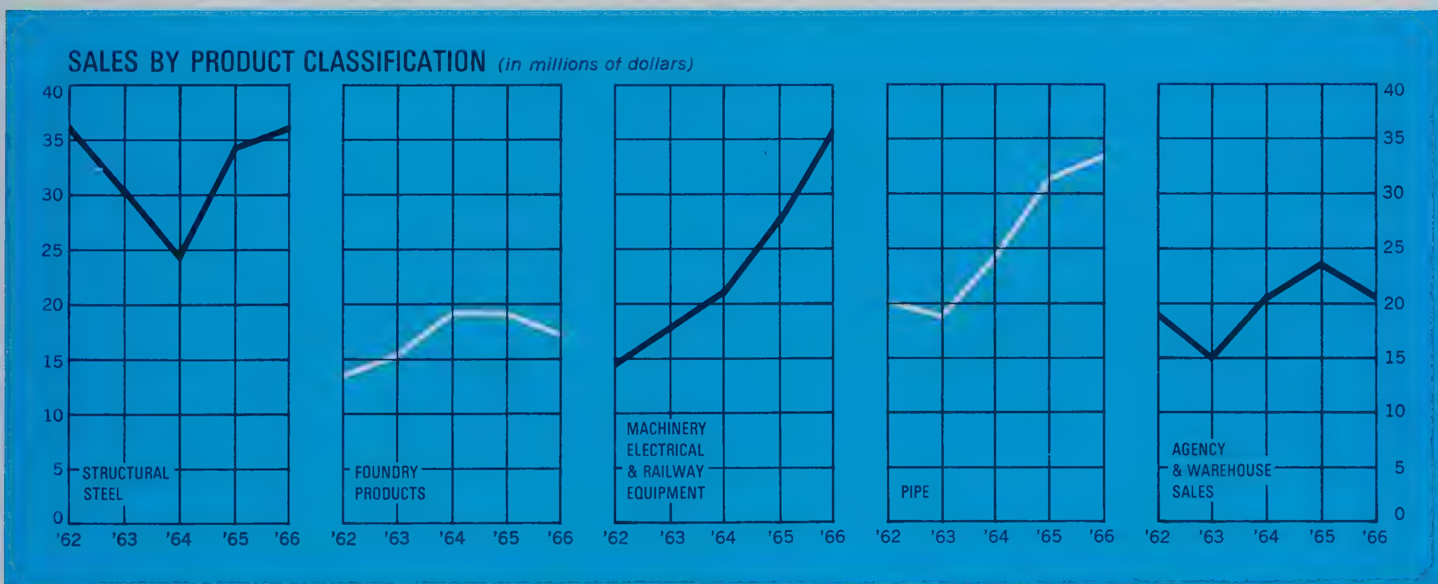
After purchasing 6,070 preferred shares in the open market during 1966, the number of shares purchased and retired at year end were 8,749 in excess of the required schedule for redemption.

The book value of the assets of companies acquired exceeded the actual cost of the shares purchased by an amount of $363,634. This difference has been added to the consolidated statement of retained earnings. At December 31, 1966 the common share book value was $13.79—an increase of $1.21 during the year. After-tax return on the common shareholders' equity was 15.4%.




COMMON SHAREHOLDERS' EQUITY AND TOTAL DEBT
(in millions of dollars)
TOTAL DEBT (FUNDED DEBT PLUS BANK ADVANCES)
COMMON SHAREHOLDERS' EQUITY
0 10 15 20 25 30 35 40
1957 1958 1959 1960 1961 1962 1963 1964 1965 1966


CAPITAL EXPENDITURES AND DEPRECIATION
(in millions of dollars)
CAPITAL EXPENDITURES
DEPRECIATION
0 2 4 6 8 10 12 14
1957 1958 1959 1960 1961 1962 1963 1964 1965 1966


SALES BY PRODUCT CLASSIFICATION (in millions of dollars)
STRUCTURAL STEEL
FOUNDRY PRODUCTS
MACHINERY ELECTRICAL & RAILWAY EQUIPMENT
PIPE
AGENCY & WAREHOUSE SALES
0 5 10 15 20 25 30 35 40
'62 '63 '64 '65 '66

Operating review

View of partially completed "Brilliant" Bridge over the Columbia River near Castelgar, B.C. Steel was fabricated and erected by Canada Iron.

PIPE

Sales of pressure water pipe remained at a satisfactory level throughout the year, reflecting the continuing demand for water for both domestic and industrial use and strengthened by Government concern about proper utilization of water resources. The company occupies a prominent position in the industry as a result of its intensive product development program and modern production facilities.

Substantial improvements to plant and equipment were made to the Trois-Rivières plant. The installation of induction iron melting furnaces in the Toronto plant will yield substantial cost savings, and eliminate all smoke from the operation, which has been a problem in that area.

The company's Hyprescon concrete pressure pipe is being used extensively in the Ontario water grid which serves the water-starved areas of the province. A contract for thirty miles of 48″ Hyprescon prestressed pipe for a line from Lake Huron to London was completed during the year. A second contract for 67,000 ft. of 30″ Hyprescon pipe for a line from Lake Erie to Talbotville was obtained late in the year for delivery during 1967.

The use of ductile iron pipe is steadily increasing as this type of pipe continues to prove itself under severe operating conditions. Outstanding orders include a large quantity of cement-lined ductile iron pipe for an irrigation project at Vernon, British Columbia.

Although sales volume of concrete sewer pipe has risen, unsatisfactory low selling prices have prevailed in the Toronto and Montreal markets. New designs to meet changing specifications are expected to result in a better competitive position for this product in the future.

During the year, pipe was shipped to a number of overseas destinations, including a substantial order for cast iron pipe to Venezuela. Sales in export markets are being strenuously pursued with the assistance of financing arrangements available from the Federal Government.

The company's subsidiary, Northern Resins Limited, is the largest producer of polyethylene, styrene and ABS pipe in Quebec. This company is growing steadily as a supplier of plastic pipe for water, sewer, drain and vent applications and operating results are good.

FOUNDRY PRODUCTS

A water-cooled cupola, which has a daily capacity of 550 tons, was installed at the ingot mould plant and floor space was increased by approximately 50%. A new stool foundry of the latest design is now in operation in Hamilton. The company is therefore in an advantageous position to meet the future requirements of the basic steel industry for these products.

The demand for jobbing castings improved as the year progressed and included exports to the United States.

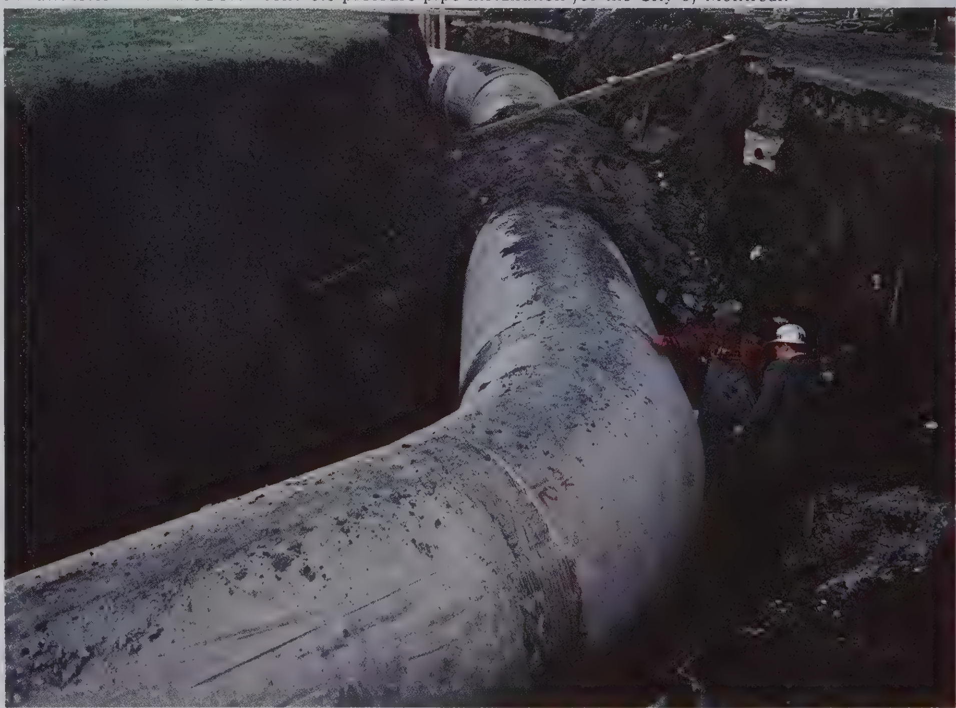
New applications in the mining and steel industries offering substantial cost savings are creating additional markets for Domite laminated wear plates. More floor space has been provided for heat-treating and plant services at the special alloy foundry in Hamilton.

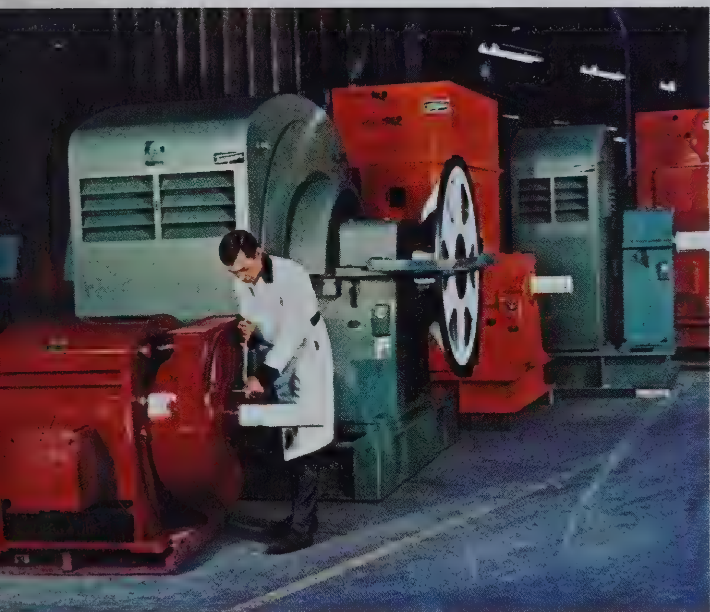
The acquisition of a majority interest in The Wabi Iron Works Limited at New Liskeard, and of Cobalt Foundry Limited at Cobalt, will improve the company's share of foundry products supplied to the mining industry. These long-established companies produce Ni-Hard grinding balls and liners, cages and skip hoists for the mining and cement industries. Growth possibilities for these product lines are encouraging.

ELECTRICAL EQUIPMENT

1966 was a year of record shipments from the Lachine plant with the total approximately 20% higher than in any previous

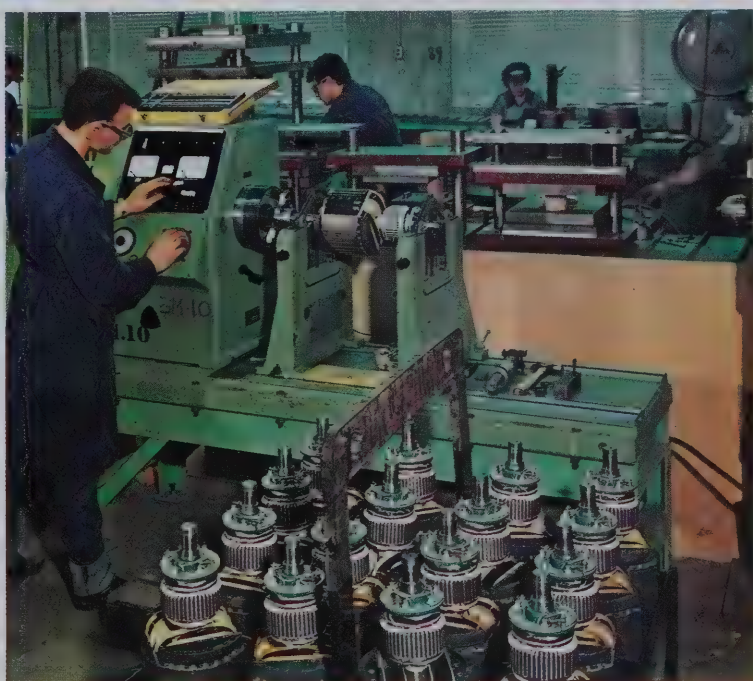
54″ diameter "HYPRESCON" concrete pressure pipe installation for the City of Montreal.





A group of Wound Rotor Induction and Low Speed Synchronous Motors manufactured by Canada Iron for use in large mining operations in Northern Ontario and British Columbia.

Firing a "Shaw Process" mould for precision castings requiring a minimum of machining.



Side Dump Cars, manufactured by The Wabi Iron Works, Limited for a Central American gold mining operation.

Rotors for a major export order of ten thousand 10kw generators are dynamically balanced prior to final assembly at Canada Iron plant.

year. The backlog of orders at year-end insures a continued high level of operations throughout 1967.

Extension of the range of products offered is resulting in greater market participation. Successful development of variable speed drive systems has enabled the company to participate in capital expansion programs in a large number of Canadian industries as well as in South America, Great Britain and Europe.

The installation of a number of high speed presses, tape-controlled machine tools, automatic winding equipment and other automated facilities, has made the Lachine plant one of the most modern and efficient in the industry.

Fractional horsepower motors are being produced in Mexico under license from the company. Prospects for similar arrangements with electrical manufacturers in other countries are being explored.

A unique electronic scale developed by Canadian National Railways will be manufactured and sold under a world-wide license. The scale, which has been in operation in C.N.R. yards for some years, computes the weight of the freight car as it moves at speeds up to 15 miles per hour. The basic design is also adaptable to many applications requiring highly accurate in-motion weighing. It has excellent potential for export and is protected by patents in all major countries.

The contract for all the traction motors and controls for the Montreal Metro was completed during 1966. The system was put in service in October and has been operating with a minimum of problems. The large order for generators from the United States, received last year, is progressing well and there is a strong likelihood that repeat orders will be obtained.

MACHINERY AND MECHANICAL EQUIPMENT

Shipments from the Trois-Rivières plant were at a new high and a substantial backlog of orders for machinery and mechanical equipment remained at year-end. While capital investment by business in 1967 is not expected to increase at the same rate as in 1966, there will be some strong areas of demand for new facilities to increase productivity. The building expansion at Trois-Rivières plant was completed at a cost of $325,000. The installation of new machine tools and equipment is proceeding as planned. In addition, a modern building adjacent to the plant was purchased and adapted for use by the engineering and clerical staff.

Sales of press brakes, shears and stamping presses were made to a wide range of metalworking industries. These included a 1,500-ton Minster power press, the largest ever built, for an automotive wheel manufacturer; a 1,000-ton Pacific hydraulic press brake for an aircraft builder; and two 600-ton press brakes working in tandem for a metal fabricator. Sales of valves to the oil and gas industries showed further growth. A major contract was negotiated for the supply of three 34" Grove valves of 600 lbs. A.S.A. and weighing eleven tons each, for a transcontinental oil pipeline.

The company continues to utilize its steel fabricating facilities for the manufacture of mechanical equipment such as special purpose cranes, conveyors and shiploaders.

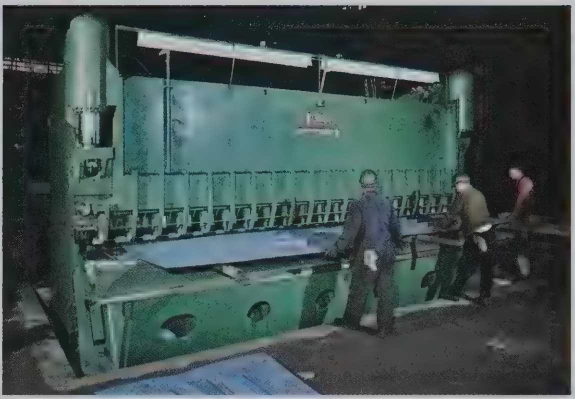
RAILWAY MAINTENANCE EQUIPMENT

The new plant at Columbia, South Carolina was completed on schedule and target production rates were being achieved by the end of the year. The plant, constructed at a cost of $3,500,000 will supply railway maintenance products to the United States and foreign markets.

Business prospects indicate that both the U.S. plant and the Canadian operation at Lachine will continue at full capacity throughout 1967.

The "Triple Tamper"; a unique high-speed tamping machine recently developed by Canada Iron for railway track maintenance.

Electromatic Tampers on an assembly line in the new plant at Columbia, South Carolina.



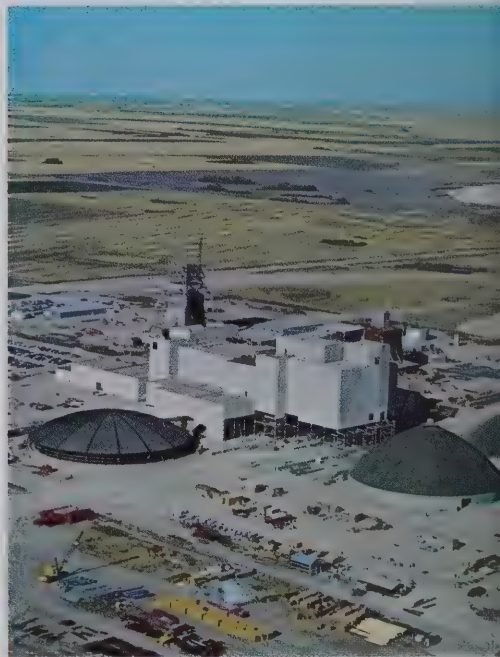
Extrusion of small diameter plastic pipe at Northern Resins, Limited, a Canada Iron Subsidiary.

Canada Iron "Pacific" Hydraulic Shear at National Steel Car Corporation Limited, Hamilton, Ontario.

Canada Iron "Pacific" 1000 ton Press Brake in operation at Canadair, Limited plant in Montreal.

Steel erection at the new Syncrolift Platform at H.M.C. Dockyard in Halifax, Nova Scotia. Over 1200 tons of steel were fabricated and placed to very exacting standards.

Allan Potash Mines, Allan, Saskatchewan. Canada Iron supplied and erected approximately 4,000 tons of steel for the Main Mill and Loadout Building, Service Building, conveyors, headhouses and transfer towers.



Steel erection at the new Ford Motor Company's automobile assembly plant at Talbotville, Ontario. Canada Iron fabricated and erected the structural steel for this huge plant which will house 1½ million square feet of space.

Shiploader at Port Moody, B.C. designed by Wright Engineers, Limited for Pacific Coast Bulk Terminals. Steel fabricated and installed by Canada Iron along with installation of all mechanical, hydraulic and electrical equipment.

A successful research and development program has produced a number of new designs which are expected to enlarge the company's participation in world markets. A "Triple Tamper", a newly developed tamping machine which performs at twice the rate of existing equipment. is at present undergoing field trials at the South Carolina plant.

Export sales continue to grow as equipment is introduced with special features to meet foreign requirements. The wide acceptance of this equipment by the Australian railways led to a decision to establish a subsidiary in that country.

STRUCTURAL STEEL

A high level of construction activity continued into 1966 and resulted in satisfactory utilization of structural steel capacity. The company's steel fabricating plants operated steadily and bookings at year-end will sustain activity well into 1967.

Problems of manpower supply, particularly in field installations, were encountered during the year. Shortages of skilled manpower in the construction trades were accompanied by upward pressure on wage rates and extended overtime work at premium pay.

Contracts completed during 1966 included the fabrication and erection of steel for a number of major industrial buildings in various provinces and mining installations and bridges in Western Canada.

AGENCY SALES

Railway and Power Engineering Corporation Limited, marketing a broad range of commodity and technical products through its national sales and service organization, maintained the same high level of sales as in the previous year.

The manufacture of Calvert bus duct, a metal enclosed, electrical power distribution system for use in power generating stations and in heavy industry, was successfully initiated at Toronto.

There was a substantial increase in sales in the Aerospace and Defence Division of Railway and Power with gains registered in a number of the engineered lines. The volume in the surface transportation markets was maintained at a high level. Stainless raw and finished products, hydraulic-pneumatic equipment, and technical line sales progressed satisfactorily.

PERSONNEL

1966, a year of generally uncertain labor relations, was notable for protracted negotiations for renewal of collective agreements at several locations. However, mutually satisfactory settlements were concluded without serious or costly delays.

The shortage of professional and technical personnel caused many problems and required intensive recruiting efforts during the year.

It was necessary to transfer a number of technical staff between the company's plants including specially qualified personnel who were moved from Lachine to the new railway equipment plant in Columbia, South Carolina. The majority of employees for this foreign operation were hired locally and given extensive training in the appropriate skills.

The fourth annual management seminar was held during the winter months with approximately 80 senior personnel in attendance. The program, on the subject of financial management, was developed and presented by members of the company's financial staff. The annual seminars are proving to be an effective management development medium, and it is intended that they be continued and expanded.

During the year, the various employee welfare plans were reviewed and improvements made as required. Assessment of all plans is made on a regular basis to insure that the company's benefit program meets the needs of employees and compares favorably with current standards.

Calvert Bus Duct, a metal-enclosed electrical power distribution system manufactured by Railway and Power Engineering Corporation, Limited.

expo67

MAN AND HIS WORLD.

Expo '67 will be held from April 28th through October 27th, 1967 in Montreal. It is the first World Exhibition of the First Category sanctioned by the International Bureau of Exhibitions to be held in North America.
One of the pavilions at Expo '67 is the "Pavilion on the United Nations". Your company is pleased to be one of the sponsor companies of this pavilion.
Under the auspices of the World Federation of UN Associations, the pavilion has been built by a corporation representing a number of Canadian companies —"Pavilion on the United Nations Corporation"— and will be operated during Expo '67 by an agency of the UN (International Exhibit on the UN.)
In May 1966, when U Thant, Secretary General of the United Nations, was at the Expo '67 site to officially launch the building of the pavilion, he said, in part:
"An international exhibition cannot be complete, at this point in history, unless it contains a tangible reminder of the endeavours of the international community to organize itself more effectively for the sake of the peace and well-being of the world as a whole.
The theme of Expo '67 — Man and His World: Man the Explorer, Man the Producer, Man the Creator, and Man in the Community — could be, moreover, the theme of the United Nations itself."
We hope that you will have the opportunity of visiting this pavilion and the pavilions involving approximately 70 world governments who will be official participants in Expo '67.

Pavilion on the United Nations — Expo '67.

Canada Iron

PRODUCTS

ELECTRICAL EQUIPMENT
Alternators
Electric Motors
Electronic Scales
Generators
Variable Speed Drive Systems

PIPE & RELATED PRODUCTS
Gray Iron Pipe
Ductile Iron Pipe
Concrete Pressure Pipe
Plastic Pipe
Sewer and Culvert Pipe
Fittings
Municipal Castings
Hydrants
Sluice Gates
'Walworth' Plug Valves
'Grove' Ball and Gate Valves

FOUNDRY PRODUCTS
Ingot Moulds
Brake Shoes
Industrial Wheels
Tunnel Liners
Gray Iron Castings
Grinding Balls
Grinding Billets
Mill Liners
Alloy Iron Castings
- Ductile Iron
- Domite CM
- Ni-Resist
- Ductile Ni-Resist
- Ni-Hard
- High Chrome Alloy

MACHINERY AND MECHANICAL PRODUCTS
Custom Machinery
'Pacific' Hydraulic Press Brakes
'Pacific' Hydraulic Shears
'Minster' Mechanical Presses
Steel Mill Machinery
Pulp and Paper Mill Machinery
Rubber and Plastics Machinery
'Farrel' Speed Reducers and Increasers
Gear Units
Mine Cars
Mine Cages
Mine Skips

STRUCTURAL PRODUCTS
Structural Steel for Buildings and Bridges (fabrication & erection)
Steel Joists
Reinforcing Steel
Warehouse Steel
Towers
Hydraulic and Control Gates
Bulk Loading Terminals
Conveyor Systems
Scatter Antennae
Tanks and Plate Work

RAILWAY TRACK MAINTENANCE EQUIPMENT
Fully Automatic Ballast Tampers
Power Tamping Jacks
Track Liners
Spike Pullers and Drivers
Cross-tie Renewers
Rail Bolters, Drills and Lubricators

SALES AGENCY PRODUCTS
Instrumentation and Electronic Products
Pumps
Stainless Steels
Rail, Bus, Truck and Aviation Products
Electrical Motor Control Apparatus
Hydraulic and Pneumatic Products
Materials Handling Equipment

Canada Iron

DIVISIONS & SUBSIDIARIES

EASTERN STRUCTURAL DIVISION
TORONTO, ONT.
M. A. Leishman
General Manager

ELECTRICAL DIVISION
LACHINE, QUE.
K. C. Hague
General Manager

FOUNDRY DIVISION
TORONTO, ONT.
J. H. Roberts
General Manager

MECHANICAL DIVISION
LACHINE, QUE.
D. J. LaFontaine
General Manager

PIPE DIVISION
MONTREAL, QUE.
R. Lyle
General Manager

PRAIRIE STRUCTURAL DIVISION
EDMONTON, ALBERTA
C. W. Carry
General Manager

RAILWAY DIVISION
LACHINE, QUE.
J. K. Stewart
General Manager

WESTERN BRIDGE DIVISION
VANCOUVER, B.C.
I. L. Hamilton
General Manager

NORTHERN RESINS LIMITED
BERTHIERVILLE, QUE.
G. Fredette
President

RAILWAY & POWER ENGINEERING CORPORATION, LIMITED
MONTREAL, QUE.
C. M. Thomson
Vice-President and General Manager

TAMPER, INC.
COLUMBIA, SOUTH CAROLINA
J. K. Stewart
President

THE COBALT FOUNDRY LIMITED
COBALT, ONT.
F. E. Miller
President

THE WABI IRON WORKS LIMITED
NEW LISKEARD, ONT.
F. E. Miller
President

PLANTS

Dartmouth, N.S.
Trois-Rivières, Que.
Berthierville, Que.
Lachine, Que.
Ville d'Anjou, Que.
Ottawa, Ont.
Toronto, Ont. (5)
Hamilton, Ont. (2)
St. Thomas, Ont.
New Liskeard, Ont.
Sudbury, Ont.
Cobalt, Ont.
Winnipeg, Man.
Edmonton, Alta.
Calgary, Alta.
Vancouver, B.C.
Columbia, S.C.

Canada Iron

CANADA IRON FOUNDRIES, LIMITED